

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2005):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO  
SHIRTS, TROUSERS, NIGHTWEAR, ROBES, DRESSING GOWNS AND  
WOVEN UNDERWEAR OF 2X2 TWILL COTTON FLANNEL FABRICS**

Investigation No. 332-465-011

January 2006



# Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-465-011

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| Products                               | Shirts, trousers, nightwear, robes, dressing gowns and woven underwear of 2x2 twill cotton flannel fabrics |
| Requesting Parties                     | Oxford Industries, Inc., Atlanta, GA   |
| Date of Commission Report: USTR Public | January 9, 2006<br>January 2006  |
| Commission Contact                     | Jeff Clark (202-205-3318, jeffrey.clark@usitc.gov)   |

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JANUARY 9, 2006. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*).

### Summary of Findings

The fabrics named in the petition filed by Oxford Industries with the Committee for the Implementation of Textile Agreements (CITA) in November 2005, and under review in this report, are similar to those named in several petitions filed with CITA in 2003 through 2005.<sup>1</sup>

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts, trousers, nightwear, robes, dressing gowns and woven underwear made in eligible Andean countries from the subject flannel fabrics, regardless of the source of such fabrics, would not be likely to have an effect on U.S. apparel, fabric, and yarn producers and their workers. The Commission is unaware of any firm in the United States that makes the subject products containing the specified flannel fabrics or that makes garments that are directly substitutable for the subject products. The Commission is also unaware of any domestic production of the subject flannel fabrics. The proposed action would likely benefit U.S. firms making shirts, trousers, nightwear, robes, dressing gowns and woven underwear in eligible Andean countries from the subject fabrics, and their U.S.-based workers, as well as U.S. consumers.

### Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with CITA under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the

<sup>1</sup> For information on the CITA's decisions regarding the 2003 to 2005 petitions, see the *Federal Register* of July 29, 2003 (68 F.R. 44528); Apr. 21, 2004 (69 F.R. 21500); May 6, 2004 (69 F.R. 26077); Nov. 30, 2004 (69 F.R. 69588); Dec. 27, 2004 (69 F.R. 77231); and Aug. 12, 2005 (70 F.R. 47180).

United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>2</sup>

The Commission's advice in this report relates to a petition received by CITA on November 18, 2005, alleging that certain woven flannel fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for shirts, trousers, nightwear, robes, dressing gowns and woven underwear made in eligible ATPDEA beneficiary countries from such fabrics, regardless of the source of the fabrics.<sup>3</sup>

## Discussion of the product

The petition states that the subject fabrics are classified in subheading 5208.43.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200 grams per square meter, of dyed yarns of different colors, in a 3-thread or 4-thread twill construction. The U.S. general rate of duty on fabrics classified in this subheading is "free." The subject fabrics are 100-percent cotton flannel fabrics, in a 2x2 twill weave construction, napped on both sides, weighing not more than 200 grams per square meter, and made of ring-spun, 21-36 NM, dyed yarns. The fabrics are used in shirts, trousers, nightwear, robes, dressing gowns and woven underwear. These apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted) and subject to U.S. general rates of duty ranging from 6.1 to 19.7 percent ad valorem.

The petitioner, Oxford Industries, Atlanta, GA, produces and markets branded and private-label apparel for men, women, and children, with most of its products sourced from offshore sources.<sup>4</sup> Oxford Industries will import the subject fabric into an ATPDEA beneficiary country for use in the manufacture of shirts, trousers, nightwear, robes, dressing gowns and woven underwear which will then be exported to the United States.<sup>5</sup> According to the petitioner, consumers of these garments made from the subject flannel fabrics are looking for the "unique softness and warmth of the fabric."<sup>6</sup> In addition, the petitioner asserts that "it is important to consumers and retailers that yarn-dyed flannels provide a neater, cleaner and more durable pattern than printed flannels." Fabrics made of ring-spun yarns are also said to be "softer, stronger and more durable than fabrics made from open-end yarns." The petitioner further claims that the subject fabrics "produce a softer hand-feel, as well as, produce better pattern and color execution."

Shirts, trousers, nightwear, robes, dressing gowns and woven underwear made from the subject fabrics generally compete in the higher end of the retail market. According to the petitioner, the apparel will be sold in retail outlets such as \*\*\* with items such as shirts and blouses selling for \$\*\*\* each.<sup>7</sup>

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<sup>2</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission's website at [www.usitc.gov/ind\\_econ\\_ana/research\\_ana/pres\\_cong/332/short\\_supply/shortsupintro.htm](http://www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm).

<sup>3</sup> The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> In its fiscal year 2005, Oxford Industries sourced approximately 99 percent of its products from offshore sources, either from its own offshore manufacturing facilities (6 percent of total) or its offshore joint ventures and third-party producers (94 percent). Less than 1 percent of its products was procured from domestic sources. See the firm's Form 10-K filed with the U.S. Securities and Exchange Commission for the fiscal year ended June 3, 2005, p. 7.

<sup>5</sup> \*\*\*, telephone interview by Commission staff, Dec. 28, 2005.

<sup>6</sup> Except as noted, the information in this paragraph is from Oxford Industries' petition.

<sup>7</sup> \*\*\*, telephone interview by Commission staff, Dec. 28, 2005.

## Discussion of affected U.S. industries, workers, and consumers<sup>8</sup>

### *Apparel producers*

A representative for the apparel industry stated that \*\*\*.<sup>9</sup> A representative of Cabella's, another retailer, stated that he is not aware of any domestic flannel apparel production and that \*\*\*.<sup>10</sup>

Consequently, information available to the Commission indicates that there is likely no U.S. production of apparel, particularly shirts and blouses, of the subject flannel fabrics and there appears to be no U.S. production of apparel that would be directly substitutable for the subject products.

### *Yarn and fabric producers*

There are no known U.S. producers of the subject flannel fabrics or of the yarn used to make them.<sup>11</sup> \*\*\*.<sup>12</sup>

Among U.S. fabric mills, a representative of Dan River, Inc., Danville, VA, said the firm ceased production of flannel fabrics in late 2004.<sup>13</sup> A representative of Wade Mfg Co., Wadesboro, NC, said that Wade is the largest U.S. producer of cotton flannel fabrics, but it does not make the subject fabrics \*\*\*.<sup>14</sup> He noted that the firm makes flannel from open-end spun yarns rather than ring-spun yarns and that apparel flannel \*\*\*.<sup>15</sup> Other firms producing flannel fabrics make heavier-weight flannel (Carolina Mills, Maiden, NC, and Avondale Mills, Graniteville, SC). According to the Carolina Mills official, \*\*\*.<sup>16</sup> The Avondale Mills official said his firm weaves only heavier-weight flannel and denim yarns and fabrics.<sup>17</sup>

### *Views of interested parties*

No written submissions were filed with the Commission.

### *Probable economic effect advice<sup>18</sup>*

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts, trousers, nightwear, robes, dressing gowns and woven underwear made in eligible ATPDEA countries from the subject fabrics, regardless of the source of such fabrics, is not likely to have an effect on the domestic industry or its workers, because there is no known U.S. production of apparel items of the subject fabrics, of the subject fabrics, or of yarns used to make the fabrics. In addition, there appears to be no U.S. production of the subject products that could be considered substitutable for those made of the subject fabrics. Most flannel apparel imported into the U.S. market is generally sold at lower price points than the

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<sup>8</sup> In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods. This section repeats the detailed industry discussion provided in the Commission's earlier report on the subject yarns almost verbatim except where relevant new information was provided in the current petition.

<sup>9</sup> \*\*\* , telephone interview by Commission staff, Dec. 28, 2005.

<sup>10</sup> \*\*\* , telephone interview by Commission staff, Dec. 30, 2005.

<sup>11</sup> \*\*\*

<sup>12</sup> \*\*\* , telephone interview by Commission staff, Dec. 16, 2005.

<sup>13</sup> James Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview by Commission staff, Apr. 26, 2005. Attempts to confirm that Dan River has ceased its production of flannel fabrics were answered by voicemail message stating that Dan River has completely closed its apparel division, Dec. 15, 2005.

<sup>14</sup> \*\*\* , telephone interviews by Commission staff, Dec. 7, 2005. \*\*\*

<sup>15</sup> \*\*\* , telephone interview by Commission staff, Dec. 7, 2005.

<sup>16</sup> \*\*\* , telephone interview by Commission staff, Dec. 16, 2005.

<sup>17</sup> \*\*\* , telephone interview by Commission staff, Dec. 16, 2005.

<sup>18</sup> The Commission's advice is based on information currently available to the Commission.

majority of products made of the subject fabrics. To the extent that apparel made from the subject fabrics is substitutable for apparel sold in the United States, it likely would displace imports because imports supply most of this U.S. market.<sup>19</sup>

The proposed preferential treatment would likely benefit U.S. consumers of apparel made of the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers. It would also likely benefit U.S. firms, if any, that make apparel in eligible ATPDEA countries and their U.S.-based workers. Granting the proposed petition could reduce the benefit given in 2003 to producers, including any U.S. firms, in CBTPA countries.<sup>20</sup>

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<sup>19</sup> Pursuant to Article 3.25 of the Central America-Dominican Republic-United States FTA and Annex 3.25 thereto, the United States has agreed that fibers, yarns or fabrics designated as commercially unavailable under the AGOA, the CBTPA, or the ATPDEA and obtained from outside the FTA region would not disqualify apparel products produced in another CAFTA party and imported into the United States for purposes of the rules of origin of the FTA. Both existing and future designations of such textile inputs under these three programs would extend to CAFTA parties, upon implementation of the FTA.

<sup>20</sup> CITA approved a petition for the subject fabrics and products from CBTPA countries, July 29, 2003 (68 F.R. 44528).